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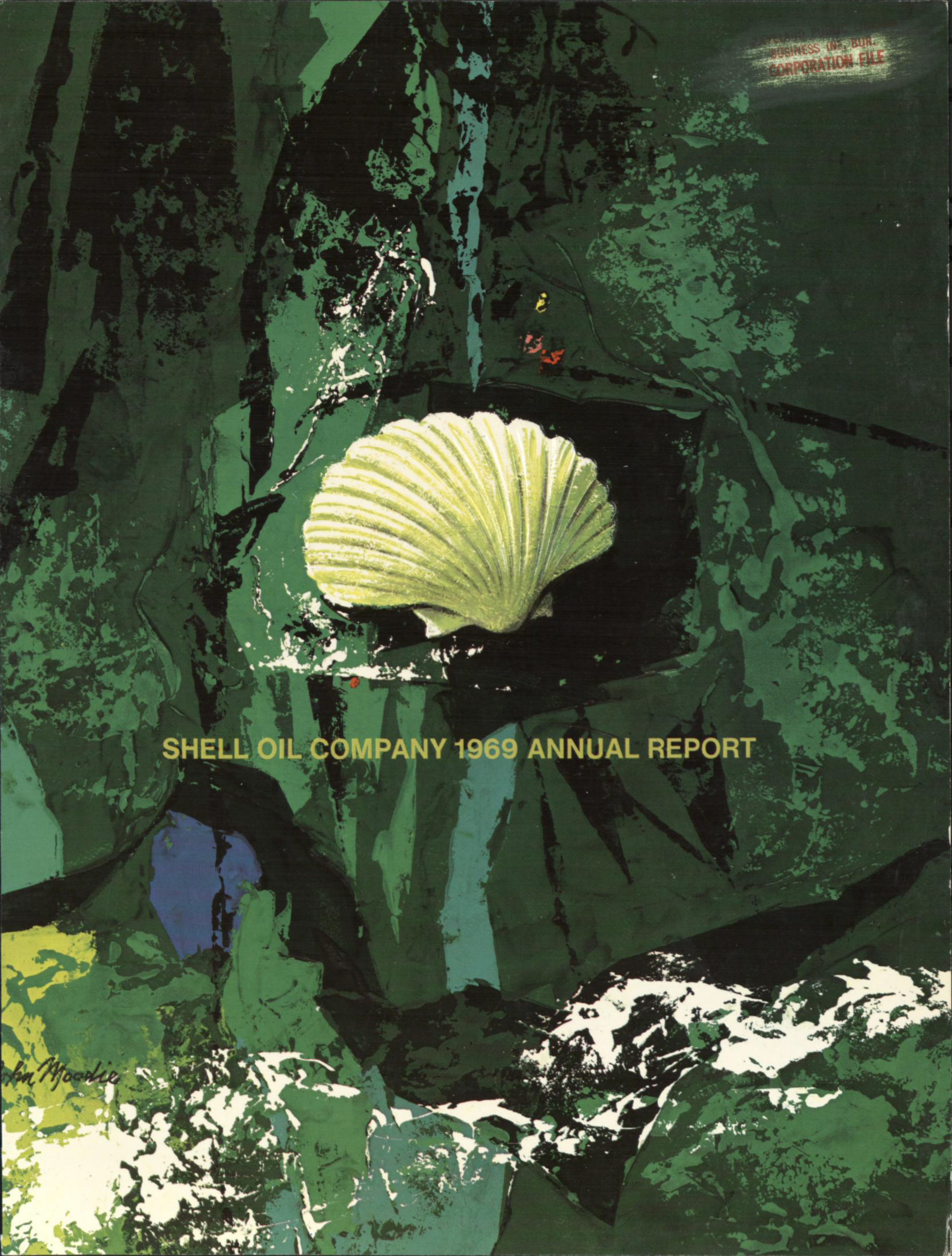
SHELL OIL COMPANY 1969 ANNUAL REPORT



The well illustrated here discovered gas in Rankin County in Central Mississippi last year and sparked a program of delineation drilling in the area. Crude oil was discovered on another prospect in the area and a development program resulted in seven oil producers in 1969. Central Mississippi is one of the Company's more promising areas for 1970 activity.

SHELL OIL COMPANY
1969 ANNUAL REPORT

Year Ended December 31, 1969

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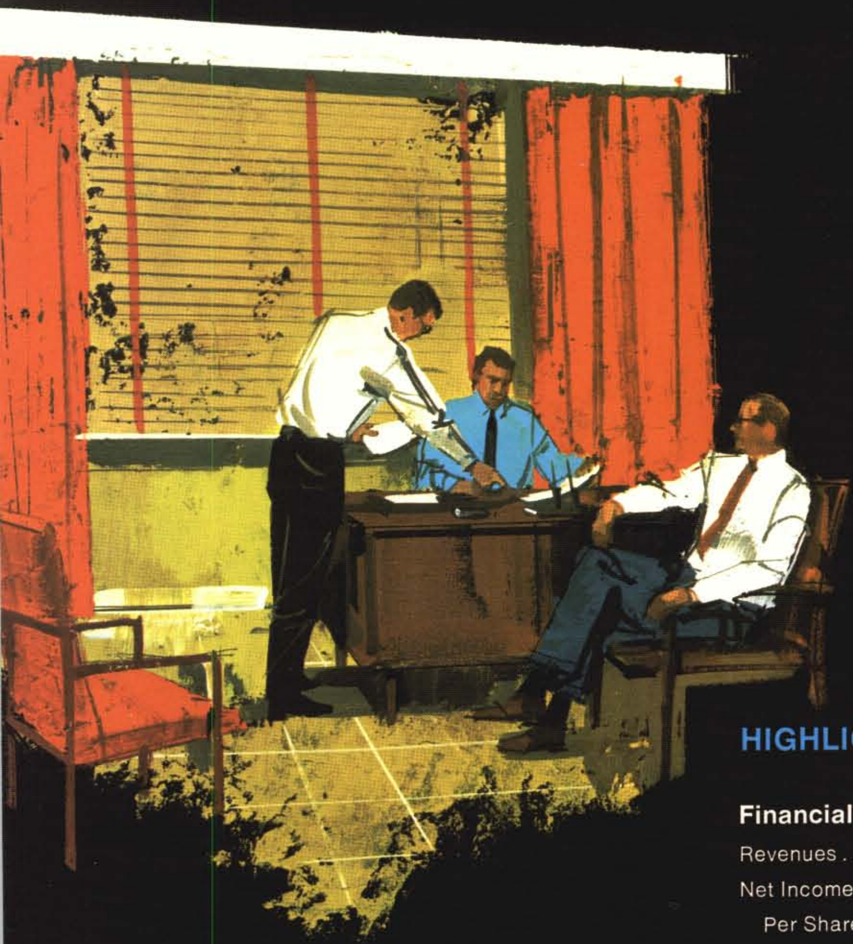
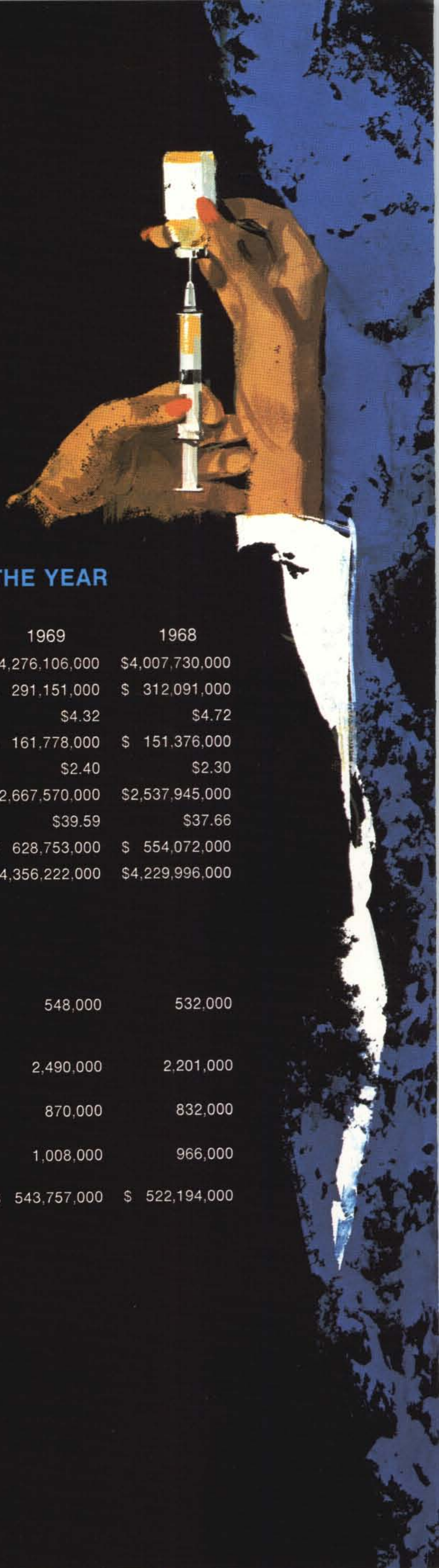
Executive Offices:

SHELL OIL COMPANY
SHELL CHEMICAL COMPANY
SHELL DEVELOPMENT COMPANY
50 West 50th Street, New York, N. Y. 10020

SHELL PIPE LINE CORPORATION
Shell Building, P. O. Box 2648, Houston, Texas 77001

THE ANNUAL MEETING of shareholders will be held at The Waldorf-Astoria (Jade Room), Park Avenue at 50th Street, New York, N.Y., at 11 A.M. Thursday, April 23, 1970. A formal notice of the meeting, together with a proxy statement and form of proxy, will be mailed to shareholders on or about March 20, 1970.

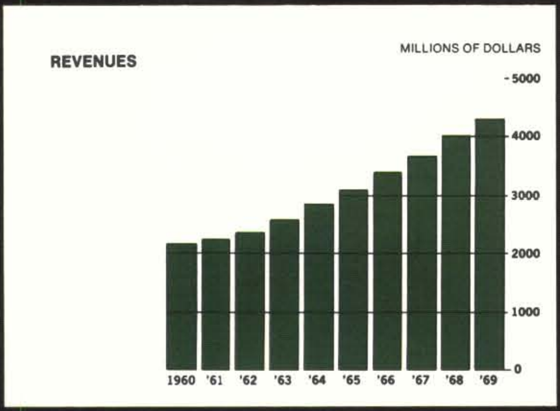


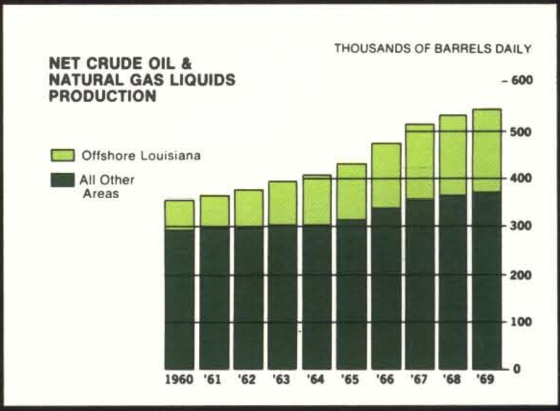


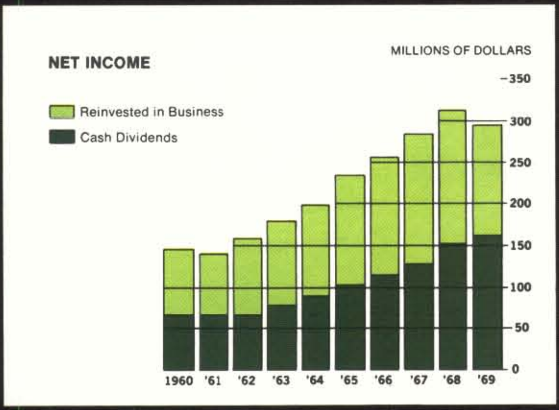
HIGHLIGHTS OF THE YEAR

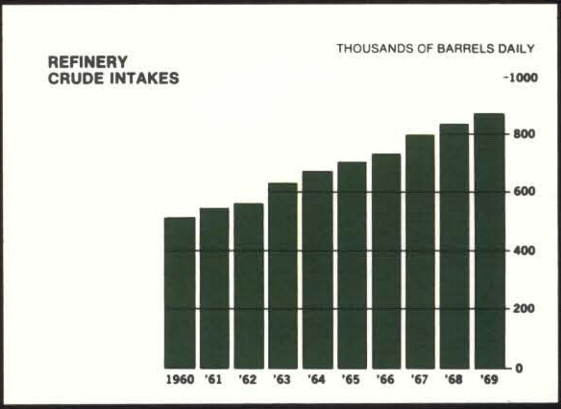
Financial	1969	1968
Revenues	$4,276,106,000	$4,007,730,000
Net Income	$ 291,151,000	$ 312,091,000
Per Share	$4.32	$4.72
Cash Dividends	$ 161,778,000	$ 151,376,000
Per Share	$2.40	$2.30
Shareholders' Investment	$2,667,570,000	$2,537,945,000
Per Share	$39.59	$37.66
Capital Expenditures	$ 628,753,000	$ 554,072,000
Total Assets	$4,356,222,000	$4,229,996,000

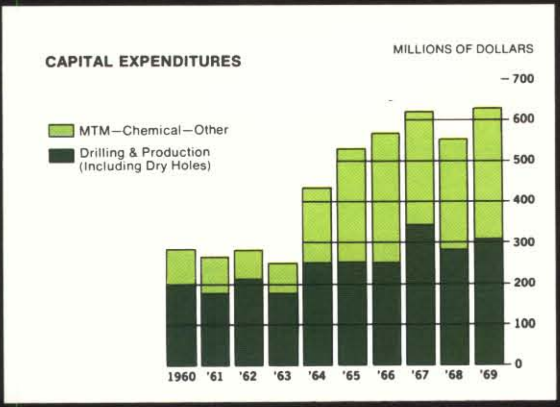
Operating	1969	1968
Net Crude Oil and Natural Gas Liquids Produced (Barrels Daily)	548,000	532,000
Net Natural Gas Produced (Thousand Cubic Feet Daily)	2,490,000	2,201,000
Refinery Crude Intakes (Barrels Daily)	870,000	832,000
Refined Products Sold (Barrels Daily)	1,008,000	966,000
Chemical Operating Revenue	$ 543,757,000	$ 522,194,000

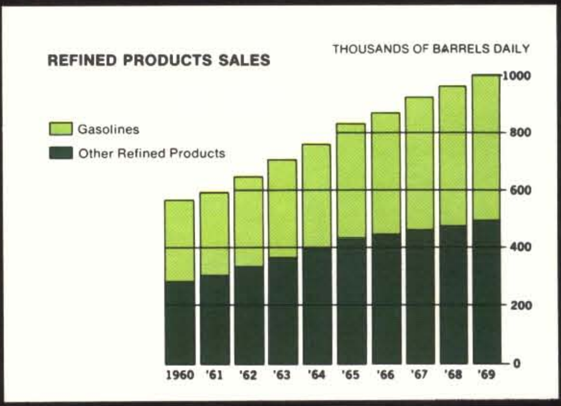

REVENUES


NET CRUDE OIL & NATURAL GAS LIQUIDS PRODUCTION


NET INCOME


REFINERY CRUDE INTAKES


CAPITAL EXPENDITURES


REFINED PRODUCTS SALES

TO THE SHAREHOLDERS:

We submit herewith a review of the operations of Shell Oil Company and its subsidiaries for 1969, together with the related financial statements.

Continuing inflation throughout the year was a factor that seriously eroded the profits of the domestic oil industry, as it did of business generally. Shell's operations again resulted in new volume records, but earnings did not progress correspondingly. After increasing for the previous seven years, net income declined in 1969 but still was the second highest in the Company's history.

Consolidated net income amounted to $291 million, $21 million or 7 percent below that for 1968. On a per share basis, earnings were $4.32 on an average of 67.4 million shares outstanding, compared with $4.72 in 1968 when there was an average of 66.1 million shares outstanding. Dividends were increased to $2.40 a share in 1969 from $2.30 in 1968. Total revenues for the year advanced to a new high of $4,276 million, 7 percent over the 1968 level. Funds provided from operations (net income plus write-offs and related tax deferment) were up 5 percent to $674 million.

Principal factors that kept net income from increasing in 1969 were these: selling prices for refined oil and chemical products did not keep pace with the substantial rise in costs of labor, materials and services; intensified exploratory efforts resulted in higher charges to current income and increased dry-hole write-offs; and investment tax credits were substantially lower than in 1968.

Capital expenditures in 1969 amounted to $629 million, up $75 million or 14 percent over the 1968 figure. This increase is mainly due to the fact that four major plant construction projects were being carried on at the same time. These are the refinery expansion programs at Wood River, Illinois; Houston, Texas; and Wilmington, California; and the large olefins plant at the Houston chemical complex.

Our 1969 capital investment program maintained about the same balance as the year before. Slightly more than half the expenditures went to modernizing and expanding oil and chemical manufacturing, marketing and transportation facilities, and the remainder was directed to our exploration and production function. In addition, exploratory expenditures charged against income were $91 million, $3 million more than in 1968. This increase was partly due to costs incurred preparing for the Alaska North Slope state lease sale last September, when Shell acquired 19,400 acres jointly with Texaco Inc.

In June 1969, Shell Pipe Line Corporation, a wholly-owned subsidiary, publicly sold $60 million of 7½% Guaranteed Sinking Fund Debentures Due 1999 at 100 percent through an underwriting group. Part of the net proceeds retired $41,875,000 of bank loans and the balance was added to the Corporation's general funds for planned capital expenditures.

Since last November we have been transferring a substantial number of employees from certain operating management organizations in New York to new General Offices in Houston, Texas. Eventually they will be housed at One Shell Plaza, a 50-story office building now under construction. This planned program of relocation, scheduled to be completed by the

March 13, 1970

end of this year, will improve efficiency and reduce operating costs by permitting closer coordination of all the operating activities for which these organizations are responsible. Corporate headquarters, including the executive offices of Shell Chemical Company and Shell Development Company, will remain in New York.

This year may be a difficult one for the economy as a whole. Government restraints are expected to dampen physical growth and eventually slow down the rise in prices and costs. Apart from the considerations involving the general economy, we in the oil industry must shoulder an increased federal income tax burden. Under these circumstances, the growth in net income that should accompany the expected higher levels of activity may not be realized.

As we look back from the threshold of a new decade we think of the past achievements of Shell employees and of the constant and continuing support of our customers and shareholders. This has made possible the sustained growth of recent years. Relying on the competence and support of these people, we look ahead to the 1970s with confidence that, against a background of steadily increasing demands for petroleum and chemical products, Shell will adapt readily to changes in the economic environment and will participate vigorously in the opportunities for profitable expansion.

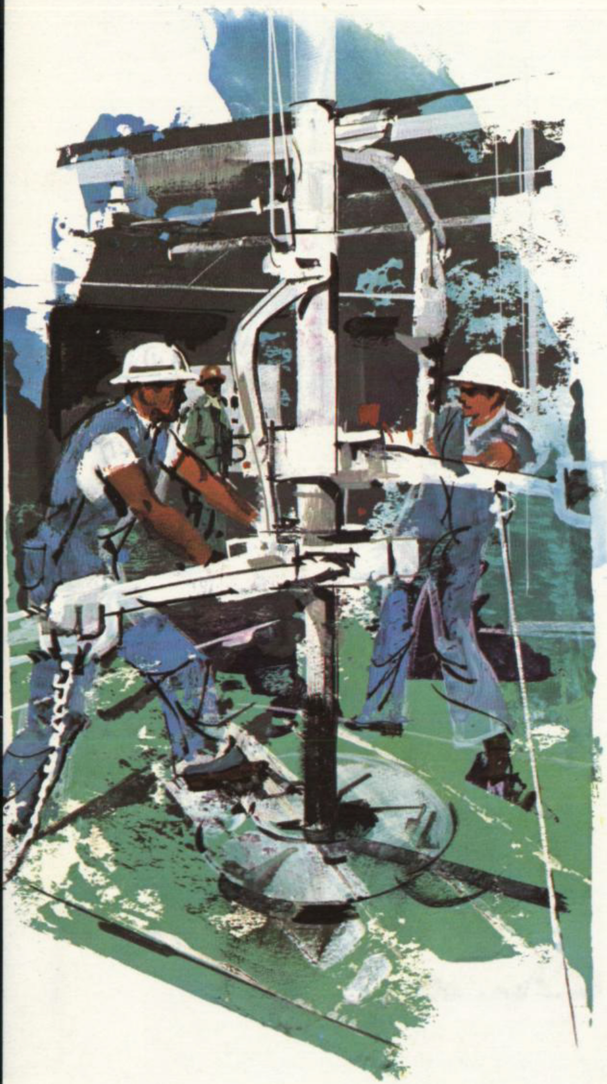
A more detailed description of the Company's performance during 1969, and the customary financial statements, will be found on the following pages.

FOR THE BOARD OF DIRECTORS

Monroe E. Spaght

Monroe E. Spaght
Chairman

D. B. Kemball-Cook
President



Review of 1969 Operations

EXPLORATION AND PRODUCTION

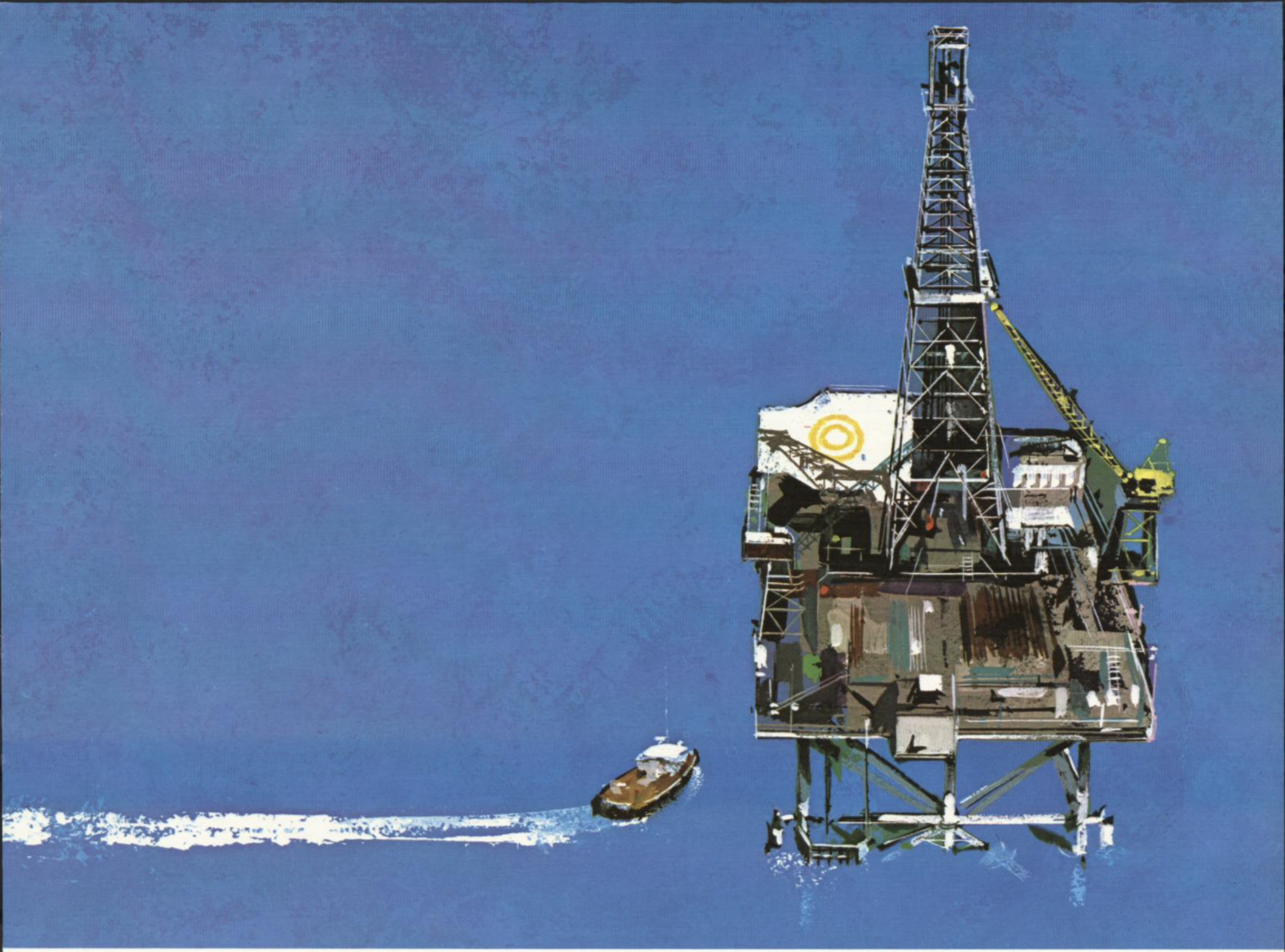
Production increased to a new high during 1969, continuing a 10-year trend of year-to-year increases. Liquid hydrocarbon production averaged 548,000 net barrels a day for the year, which was 16,000 barrels a day above the level achieved during 1968. Similarly, net natural gas production averaged 2,490 million cubic feet per day, some 290 million cubic feet per day over the previous year's performance. These increases in production were made possible by active development programs coupled with strong demand for Louisiana and Texas crude and continuing expansion of natural gas markets.

Oil And Gas Reserves

At year-end, net proved reserves were estimated at 2.3 billion barrels of liquid hydrocarbons and 9.2 trillion cubic feet of gas, a reduction from the previous year of .1 billion barrels and .8 trillion cubic feet, respectively. About 1.9 billion barrels of liquids and 8.0 trillion cubic feet of gas are considered net developed reserves, i.e., recoverable from existing wells and facilities. The net developed liquid reserves are unchanged from the previous year but net developed gas reserves were down about .5 trillion cubic feet from 1968.

Drilling

Aggressive exploratory and development drilling programs continued in several provinces. This expanded activity was aimed at assuring future profits, but held down earnings in 1969 because of the increased costs and dry-hole write-offs charged against current income.



Shell installed nine more drilling platforms in deep water off the coast of Louisiana during 1969, as this area continued to be a major center of exploration activity. Half the Company's drilling and development expenditures went to this province, which now accounts for more than 40 percent of Shell's oil and condensate production.

An average of 53 rigs per month operated throughout 1969 compared with 41 in 1968. Although the rig count was considerably higher the net number of wells drilled during 1969 was down from 1968, reflecting a decline in shallow development drilling on several major thermal recovery projects.

Most of the exploratory and development drilling activity in 1969 was devoted to offshore provinces. Other noteworthy areas of activity were the Michigan Basin, Central Mississippi, Alaska and the Delaware-Val Verde Basin of West Texas.

NET WELLS DRILLED

	1969	1968
Exploratory wells		
Drilled	241	139
Successful	15	17
Development wells		
Drilled	457	649
Successful	353	569

Offshore Operations

As in the past, the deep waters off Louisiana continued to be one of the Company's major areas of activity. South Pass, Main Pass and Eugene Island were the principal locations of investment during 1969. Most of this activity involved development drilling of properties acquired in the 1962 and 1967 federal lease sales. The Company also participated in the two federal drainage sales last year and acquired five tracts amounting to 20,000 acres for a leasehold cost of $17.3 million. All of these tracts are located adjacent to acreage currently producing or under development. A total of 212 wells were drilled offshore Louisiana in 1969 and nine platforms were installed for drilling operations. Expenditures in this deep water environment accounted for 50 percent of the Company's 1969 drilling and development capital.

As an indication of the importance of the offshore to recent production growth, 41 percent of Shell's crude and condensate and 37 percent of natural gas production now comes from this geographic environment, mostly in the offshore waters of Louisiana. Most of the production growth exhibited by Shell and the domestic industry over the past 10 years has come from the expansion of offshore activities.

The risks associated with the offshore environment were emphasized last year by Hurricane Camille, one of the most intensive storms ever to strike the U.S. mainland. It swept through some of Shell's most important Exploration and Production installations off the Louisiana and Mississippi coasts in late summer. One large platform and drilling rig was destroyed and others severely damaged by the hurricane, which cost Shell some $10 million in total. However, insurance and other reserves were sufficient to offset the losses without material effect on current earnings. Eight major Shell oil fields were within 30 miles of the hurricane's path, and producing wells were shut down as a safety precaution before the storm hit. No Shell people were injured, and despite the storm's severity no leaks developed in Shell-operated production facilities. Production was not substantially affected as increased allowable rates of production after the storm permitted much of the lost volumes to be regained.

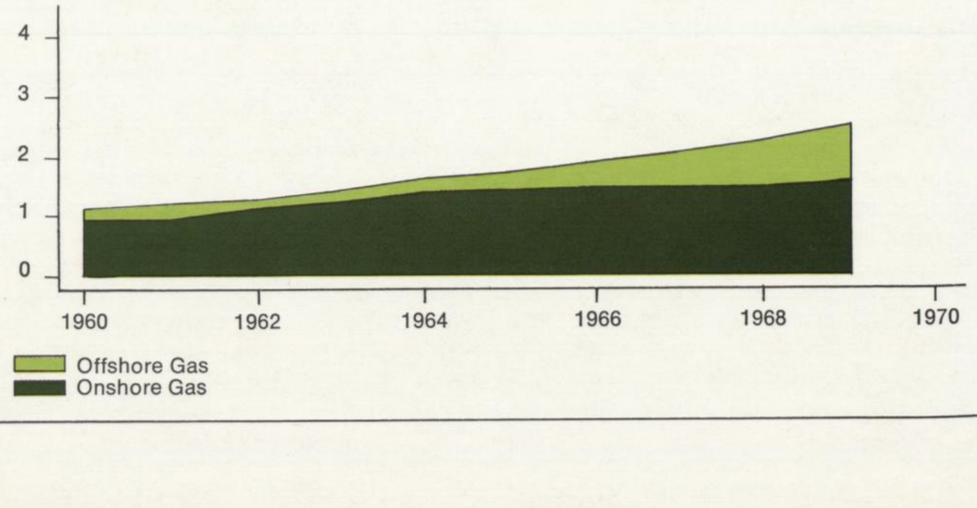
Onshore Operations

The oil and gas discoveries made last year in Northern Michigan are encouraging. Shell's acreage around its full-interest oil discovery is currently under development with completion of two outstep producers by year end. Delineation drilling of the gas discovery is in progress. The importance of these oil and gas accumulations is yet to be determined. However, results to date provide added incentive to evaluate the Company's 1.3 million acres of leasehold along the Michigan Basin shelf margin trend.

The exploratory program in central Mississippi continued to be one of the most promising onshore activities. The discovery last year of crude oil on one prospect and gas on another has led to additional investment in this area. A three-rig development program of the oil discovery resulted in the completion of seven oil producers in 1969. Delineation drilling is under way on the gas discovery at a depth exceeding 20,000 feet. Because of the high sulfur content, tentative plans are to install a sulfur extraction plant, which will yield an attractive return on investment for the total project. In all, a total of 35 wells were drilled in this area in 1969, and a high level of exploration and development activity during 1970 is expected.

NATURAL GAS PRODUCTION

Net billion cubic feet per day



Shell's wildcat well drilled on the Alaskan North Slope was plugged and abandoned at a depth of 15,540 feet. This test was 25 miles southeast of the Prudhoe Bay discovery well. Shell supported the drilling of two other wells with acreage contributions. These were some 50-75 miles from the Prudhoe Bay accumulation. At year end, one was active and the other had been abandoned at a depth of 7,000 feet. The Company plans to continue to take an active part in exploration activity in this area in order to evaluate its leaseholds. This includes about 300,000 net acres of federal leases and nearly 10,000 net acres acquired at last September's state lease sale.

EXPLORATION AND PRODUCTION EXPENDITURES—In millions of dollars

	1969	1968	Change
Oil and gas leases	$ 42.7	$ 51.8	−$ 9.1
Producing wells and equipment	181.6	176.4	+ 5.2
Natural gas processing plants	20.2	8.4	+ 11.8
Dry holes	63.1	44.9	+ 18.2
Geological, geophysical and lease rental expenses	90.9	88.3	+ 2.6
Total	$398.5	$369.8	+$28.7

Development drilling of gas reserves continued in the Delaware-Val Verde Basin of West Texas. Major activity was in the Toro, Lockridge and JM fields.

Supplemental Recovery

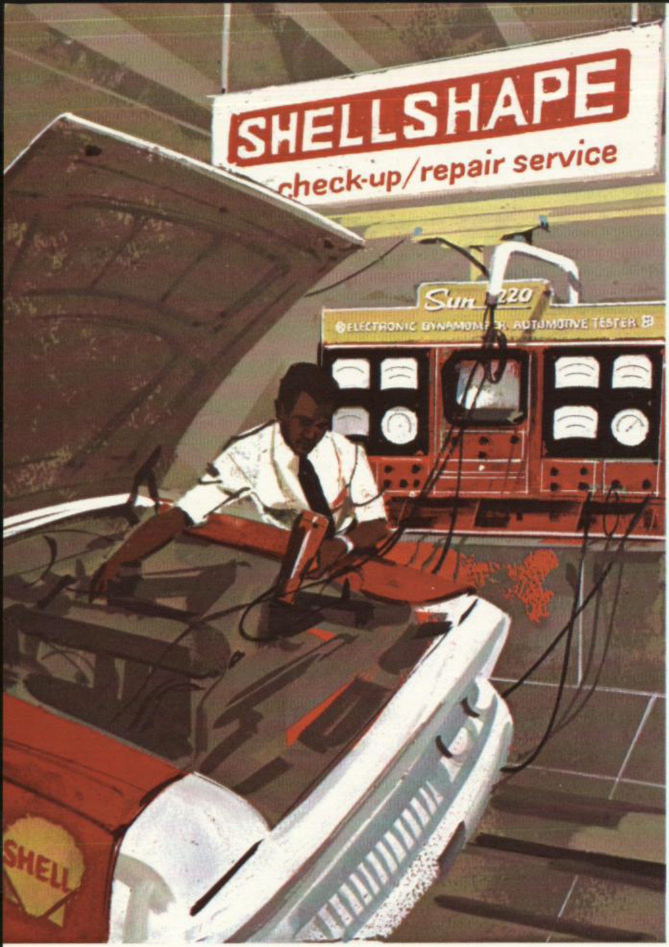
Supplemental recovery operations continue to be an important part of Shell's production activities. About 16 percent of the Company's current crude oil production and 27 percent of the crude oil reserves result from our investment in this type of operation. Shell made significant progress in the recovery of additional oil by fluid injection, particularly in the application of steam injection for recovery of viscous oils. Although thermal recovery is becoming more important in our operations, replacement of reservoir energy by water injection continues to be the Company's principal method. Shell plans to continue an active search for supplemental recovery investment opportunities to improve the ultimate economic rewards of past discoveries.

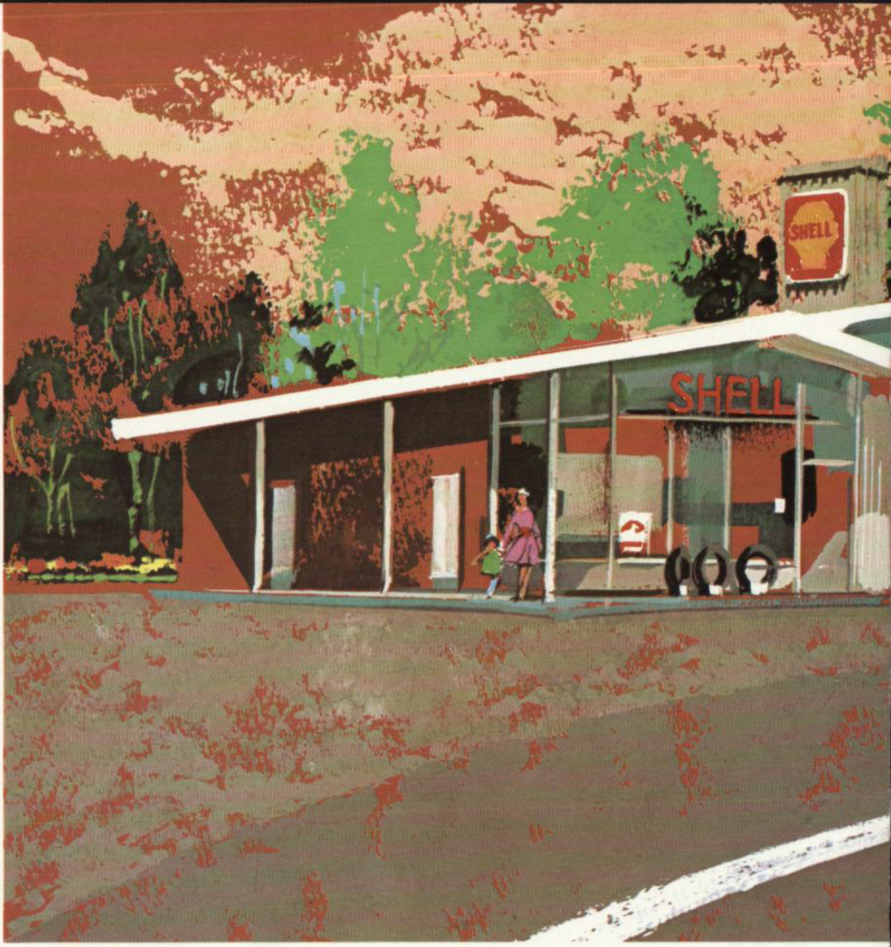
On the Pacific Coast, installation of three major California steam soak projects, Kern River, Midway-Sunset and Coalinga, is essentially complete. Pressure maintenance by water injection was begun at Middle Ground Shoal field in the Cook Inlet area of Alaska. Waterflood development continued in some older fields in the Cedar Creek anticline of Montana and in southern Oklahoma. In addition, Shell is continuing the planned extension of the successful Slocum field steam flood in East Texas.

Natural Gas

Natural gas sales during 1969 were 969 billion cubic feet, providing revenue of about $163 million. The revenue was well above that achieved in the previous year. Steadily increasing markets for natural gas sales were the primary factor contributing to the growth of natural gas production. Shell's policy of committing new gas reserves to sales contracts as soon as possible has resulted in placing more than 98 percent of our reserves under contract. Pricing policies of the Federal Power Commission have had a depressing effect on gas exploratory and development efforts in recent years.

Shell completed a 28,500-barrel-a-day fractionation unit adjacent to the Company's Norco, Louisiana, refinery. Two major extensions to existing plants completed during 1969 have added some 3,200 barrels a day to the Company's plant liquids production. Currently under construction are two plants and one extension, all in Louisiana. Bids are being evaluated for two new plants, one in Louisiana and one in Mississippi. Liquids production will be increased by 17,200 barrels a day when these five projects come on stream during 1970.





MARKETING—TRANSPORTATION AND SUPPLIES—MANUFACTURING

In 1969, Shell again manufactured, moved and sold record volumes of hydrocarbons. However, prices did not keep pace with inflationary cost increases and profit margins were eroded. Facilities in what the Company terms its "M-T-M Complex" (Marketing, Transportation and Supplies, Manufacturing) operated at or near capacity throughout the year, despite a lengthy industry-wide strike that affected several plants at the beginning of the year. (See "Employee Relations" page 20.)

Each of Shell's eight refineries set monthly records for crude intakes during the year, and total throughput for 1969 averaged 870,000 barrels a day, an increase of 5 percent over 1968.

Sales volume of refined products increased by 4 percent over 1968, reaching a new record level, and revenues also reached a new high of $2,067 million, an increase of 5 percent over the previous year. The greater increase in revenue was primarily due to selling a larger proportion of the more valuable products.

Automotive Gasoline

Sales of automotive gasoline, the Company's largest volume product, increased by 4.9 percent last year. This was about the same as the gain of the entire retail gasoline marketing business, so that the Company maintained its share of this national market at the 8.7 percent level reached in 1968.

The increase in sales was attributable primarily to the development of high-volume, profitable new service stations in established markets and the generation of greater volumes through existing direct and jobber stations. At the same time, we accelerated our program of pruning out low-volume, low-profit, non-representative service stations.

Effective advertising and merchandising programs helped to improve Shell's sales performance during the year. Promotional activity was expanded to meet competitive game and giveaway programs and to continue Shell's excellent 1968 gains in service station volume. Average monthly gasoline throughput per station at Shell leased and owned stations again

Building new high-volume service stations in established markets and increasing throughputs through existing stations contributed to further sales gains in automotive gasoline. The Company also expanded its "Shellshape" test program at Dayton, Ohio, which could be an answer to the problem of supplying quality automotive service at a reasonable price.

increased by 10 percent, maintaining the Company's clear lead over the average throughput per station of its major national competitors.

There was a general increase in automotive gasoline prices in the spring but by December prices had fallen back below the 1968 level as price erosion occurred in many major markets. As a result unit gasoline revenue for the year was only about 1 percent over 1968.

Aviation Fuels

Volume of turbine fuel sales rose to a new high, increasing 10 percent over 1968 and maintaining Shell's position as the leading supplier of commercial turbine fuel in the United States. Increased sales to airport facilities serving the general aviation consumer also contributed to Shell's performance.

Liquefied Petroleum Gas

Sales volume of liquefied petroleum increased by 12 percent in 1969, reflecting the continuing acceleration of LPG demand for household, commercial and chemical uses. Unit prices, which deteriorated severely during the summer months, firmed up by year end and closed at about the same level as year end 1968.

Other Products

Shell's share of industry asphalt and residual fuel sales for the year was reduced as new manufacturing facilities aimed at maximizing the yield of more valuable gasoline and jet fuel products were placed in operation. East Coast import restrictions limited the Company's asphalt sales. Shell's lubricants sales volume for the year showed a modest increase, but revenues improved substantially due to higher prices for some products and increases in sales of premium oils.

REFINED PRODUCTS MANUFACTURED —Thousand Barrels Daily

	1969	% yield
Gasolines	466	51
Jet and Light Fuels	243	27
Heavy Fuels	90	10
Other products	112	12
Total	911	100

Other Marketing Highlights

The Shell-branded line of tires introduced in mid-1969 received excellent acceptance by Shell dealers and customers. Shipments and sales of tires were well above the Company's expectations.

Expanded "Shellshape" field test programs, involving diagnostic and repair functions at existing Shell stations in Dayton, Ohio, also showed promise of providing one answer to the growing problem of supplying reliable quality automotive service at reasonable prices. The expanded test now underway should give the necessary indication as to the desirability of wider application.

RATED CRUDE OIL CAPACITY
—Barrels Daily

Refinery	1969
Anacortes	88,000
Ciniza	15,500
Houston	162,000
Martinez	97,400
Norco	220,000
Odessa	29,000
Wilmington	86,000
Wood River	245,000
Total	942,900

Refinery Expansion And Modernization

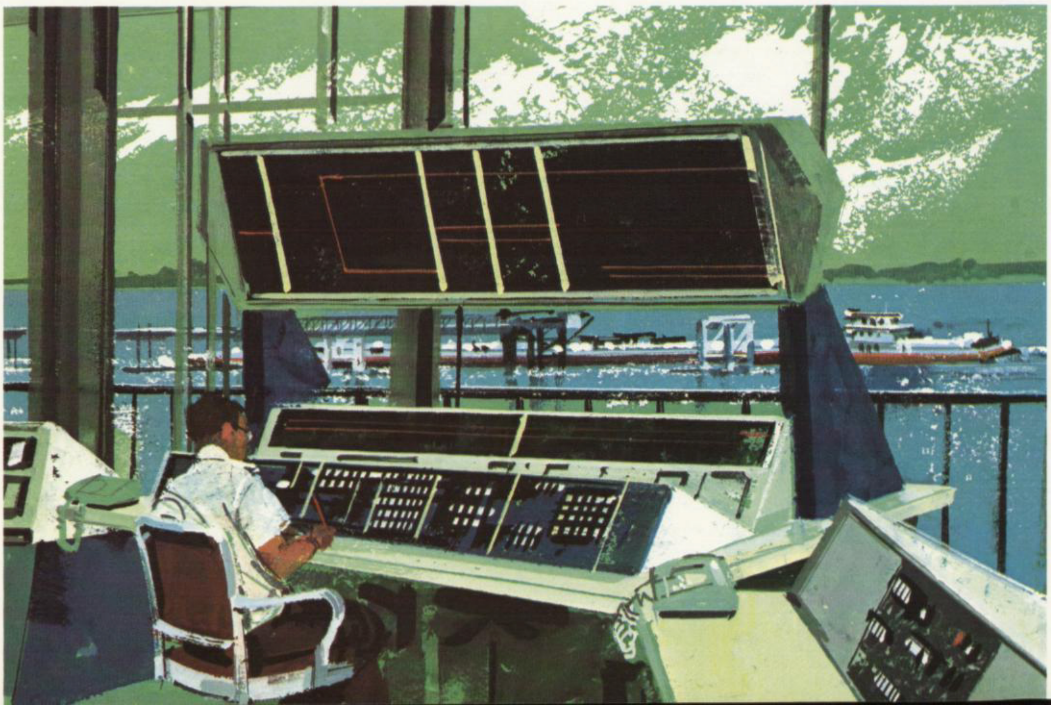
A major facility in the multi-million dollar expansion program at Wood River Refinery, a 165,000 barrel-a-day crude unit, came on stream in July and is meeting design specifications. Other units in the expansion are scheduled for completion during 1970.

The Company's other major refinery expansion project at Houston is progressing on schedule and is expected to be on stream early in 1971. These facilities will increase Houston's crude distilling capacity to 255,000 barrels a day.

Construction of a new multi-million-dollar residue upgrading facility at the Wilmington Refinery began early in 1969. These units, a residue flasher and a coking unit, are designed to increase production of more valuable products obtainable from the heavier portion of the crude barrel. These facilities, which convert residual fuel to petroleum coke and to products suitable for further processing into gasoline, are scheduled for completion in late 1970.

A $3 million expansion of alkylation facilities at the Anacortes Refinery was completed in 1969, adding significantly to the refinery's capability to manufacture Super Shell gasoline.

(Right) An operator manipulates the controls at the southern origin of Capline, the nation's largest crude oil pipeline, at St. James, Louisiana. The northern terminal at Patoka, Illinois, is also the starting point for the Capwood Pipe Line which now feeds Louisiana crude to Shell's Wood River Refinery.
(Far Right) Important studies on how to overcome the oil spill problem are conducted at this large wave tank at the Shell Pipe Line research and development laboratory at Houston.



Feed Stock Pipelines

Initial delivery of Louisiana crude oil from Capline, the nation's largest crude oil pipeline in which Shell Pipe Line Corporation has a one-seventh interest and is the operator, was made to the Wood River Refinery in July. The delivery was made through the Capwood Pipe Line, which connects with Capline's northern terminus at Patoka, Illinois. The Capwood system was formed by consolidating an existing pipeline purchased from another company with newly constructed facilities at Patoka and Wood River. It is operated by Shell Pipe Line, which has a 90-percent interest in the line.

Construction began on a natural gas liquids pipeline from the new Yscloskey, Louisiana, Gas Plant to Norco Refinery. Completion of the project is timed to coincide with startup of the new Norco fractionator in April, 1970.

The first phase of construction of a 137-mile crude oil line connecting the Wasson field in West Texas to existing crude oil lines at McCamey, Texas, was completed and partial operation started in September. Completion of the final phase of construction is scheduled for 1970 when the line capacity of 100,000 barrels daily will be reached.

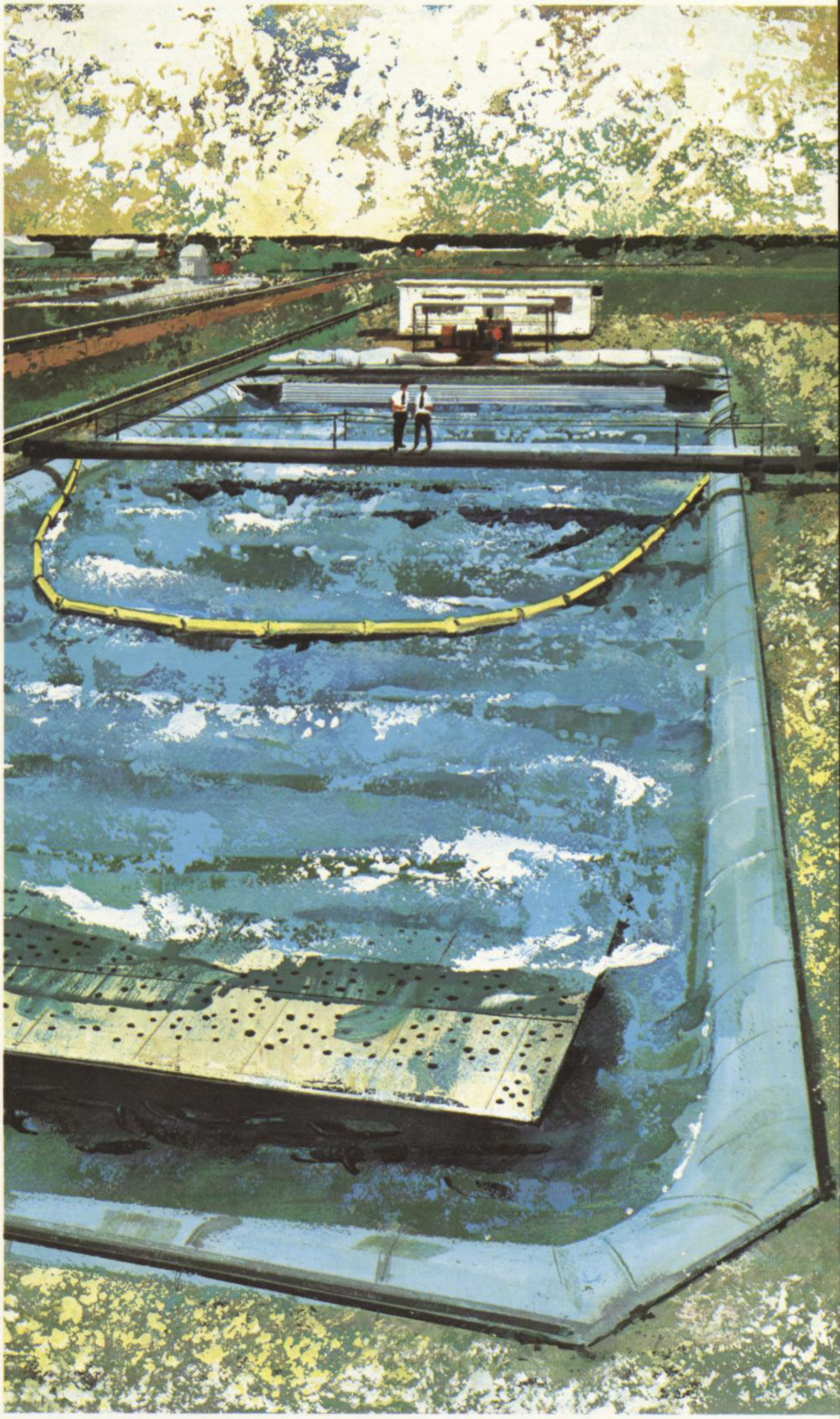
Products Pipelines

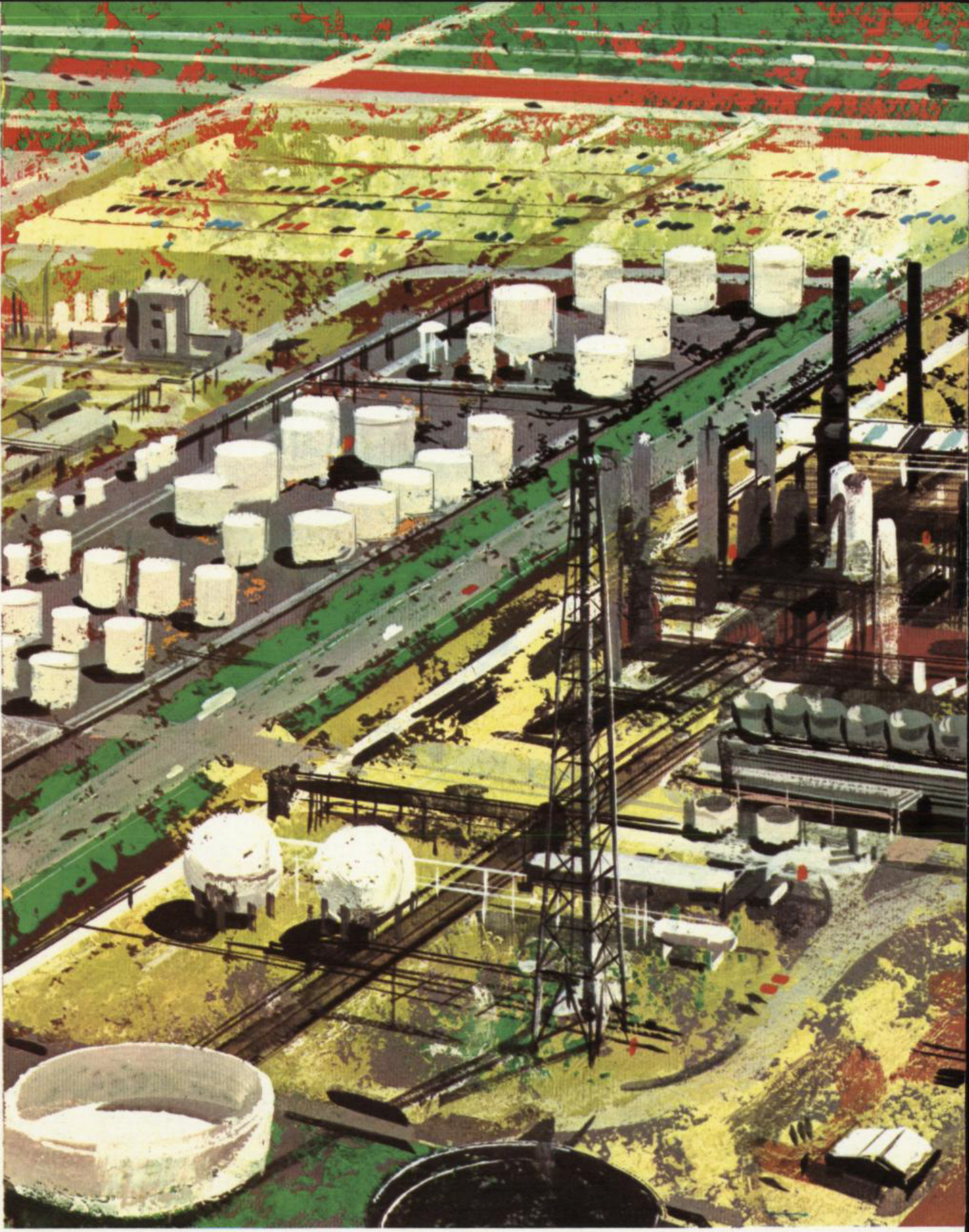
As a major step in the new series of expansions, Plantation Pipe Line Company, in which Shell has 24-percent ownership, completed the installation of a 30-inch/26-inch loop between Helena, Alabama, and Spartanburg, South Carolina. The project increased terminal delivery capacity to an average 450,000 barrels daily.

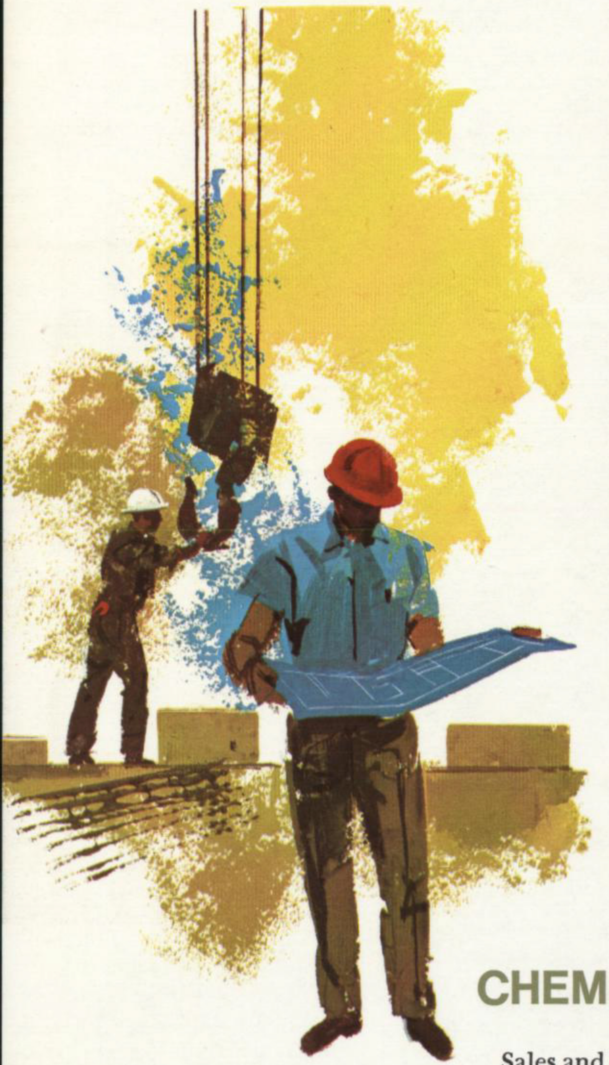
Shell's Products Pipe Line Department, as operating agent for the Wolverine Pipe Line Company, supervised design and construction of an expansion that will double that line's capacity. The project is nearing completion.

Rail Cars

Shell purchased more than 200 new rail tank and hopper cars for use in distributing various oil and chemical products, liquefied petroleum gases, synthetic rubber and plastic pellets. This increased the Company's rail fleet to 1,700 owned and 3,000 leased cars.







CHEMICAL

Sales and other operating revenue of Shell Chemical Company, which manufactures and markets products serving industry, agriculture and the general public, set a new record of $544 million in 1969, an increase of 4 percent over 1968. Prices, however, averaged slightly below those of the previous year. The increase in sales was largely the result of new facilities, under construction for the two previous years, that began operating in 1969.

Shell Chemical's contribution to total sales and other operating revenue, before consumer excise and sales taxes, amounted to 15 percent, and its contribution to consolidated net income before interest and income taxes was 11 percent for 1969.

Capital expenditures for chemical plants totaled $63 million in 1969 and brought total investment in chemical processing to $668 million. Some 34 percent of this amount was invested in the last three years.

Basic Chemicals

Shell has continued to expand its capability to produce the basic "building block" chemicals, such as ethylene, propylene and benzene, which are used principally by the chemical industry itself to manufacture thousands of intermediate and end products. A large proportion of these basic chemicals is used inside Shell, but sales to other chemical producers are an important and increasing part of the Company's business.

Light olefins, mainly ethylene and propylene, are in short supply and Shell is expanding

its producing capacity to meet the demand. One of the world's largest olefins plants is under construction by Shell at Houston and when completed in 1970 it will more than double the Company's ethylene and propylene capacity. Shell also is planning further expansions.

Benzene, the main aromatic building block, is in very short supply and the Company's benzene facilities have been operating at capacity. Sales improved even more than in 1968. Shell is one of the leading producers of benzene, toluene and xylene.

This chemical plant at Houston will be among the world's largest olefins facilities when it is completed this year. It will more than double Shell Chemical Company's capacity for manufacturing ethylene and propylene.

Intermediate Chemicals

Shell produces a wide range of intermediate chemicals that are further converted into end-use products or sold to other chemical manufacturers. Sales performance in this group has been mixed. In general, volumes have increased but benefits from this increase have been limited by declining prices for some products due to competitive pressures.

Several of the intermediates produced by Shell involve ethylene in combination with other chemicals. Production and sales of ethylene glycol for automotive antifreeze were substantially increased. Also showing a gain was production of styrene, which is made from ethylene and benzene and is used in plastics and synthetic rubber. Shell's polystyrene plastic business continued to expand, and styrene sales to others also increased.

Ethylene and chlorine are combined to make vinyl chloride which is then converted into polyvinyl chloride, the widely used plastic known generally as "vinyl." Shell has started constructing a major facility at Houston to produce more than 1,000 tons a day of vinyl chloride, and first production is expected in 1971. The product will be sold to others for further conversion.

Propylene also is combined with elements like oxygen and chlorine to produce intermediates such as epichlorohydrin, acrolein, allyl alcohol and allyl chloride. Shell's sales of these intermediate chemicals continued at about the same level as in 1968.

Alcohols And Solvents

Shell Chemical is a major producer of alcohols and solvents that find uses in a variety of consumer products such as detergents, cosmetics, toiletries, paints, sprays and plastics.

NEODOL® alcohols are used primarily in manufacturing biologically soft household detergents, which substantially lessen pollution of the nation's waterways. In addition they are finding increased usage as chemical intermediates and in the manufacture of industrial surfactants, i.e., chemical agents that assist certain liquid processes. To meet the growing demand for NEODOL alcohols Shell is expanding its production capacity at Geismar, Louisiana.

Expansion of the isopropyl alcohol and acetone unit at Houston was completed in the latter part of the year, giving Shell the largest capacity in the industry for making these two products.

Demand continued strong for two industrial alcohols, normal butyl alcohol and 2-ethyl hexanol, but glycerine sales fell back from record highs due to continuing competitive pressures.

Polymers

In a move to improve efficiency two Shell Chemical Divisions, Plastics and Resins and Synthetic Rubber, were merged to form the Polymers Division.

Shell produces a variety of polymers, the long chain molecular substances that find their way into commerce as packaging, adhesives, building materials and paints, automotive parts, housewares, wearing apparel, carpets and furniture. Shell's principal polymers are polypropylene, polystyrene, EPON® resins, styrene-butadiene rubber, polyisoprene rubber and KRATON* thermoplastic rubbers.

Polypropylene capacity is being substantially increased at Woodbury, N. J., to keep pace with rapidly growing demand.

A new unit for making polystyrene at the Marietta Plant operated at near capacity during its first full year on stream. Plant expansion is underway as part of a long range plan to increase Shell's participation in this product area.

Excellent growth in EPON resins enabled the Company to maintain its position as the leading supplier of epoxy resins. Completion of a new plant to manufacture these resins in liquid form at Houston almost doubled the Company's capacity for meeting the increasing demand. Revenue gains were limited by price declines due to competition.

KRATON thermoplastic rubbers, a series of products that combine rubber's elasticity and plastic's ease of fabrication, continued to gain wide acceptance and growth in a diverse number of end uses such as adhesives, coatings, footwear, packaging and pharmaceuticals.

Products For Agriculture And Animal Health

Sales of chemicals to agriculture were adversely affected by severe weather conditions on the West Coast. Operational costs continued to increase, stepped-up testing and other activities required by government regulatory agencies being an important factor in this increase.

Heavy rainfall in the first quarter of 1969 in most of Shell's marketing area (the West Coast), coupled with continued oversupply, resulted in a decline in revenue from wholesale fertilizer sales. However, relatively good prices for a substantial tonnage of urea in the export market and a solid performance in the industrial market helped to offset the poor domestic fertilizer season.

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*Shell Trademark

The worst flood in 50 years on the Ventura River in California resulted in substantial damage to the Ventura plant, but this facility was able to supply product for the fertilizer season after repairs and rehabilitation.

A new unit for manufacturing nitrogen fertilizer solutions went on stream early in 1969 at the St. Helens, Oregon, plant.

GARDONA® insecticide, a new product for controlling insects in apple orchards, was marketed for the first full season. GARDONA has a low level of toxicity to wildlife but it has a broad spectrum of effectiveness against insects and consequently shows considerable promise for future sales growth. Sales of PLANAVIN® herbicide, a product that controls weeds before they emerge, increased substantially during the year.

In the field of animal health, ATGARD® and TASK®, deworming medicines for swine and dogs, made significant sales gains. A new deworming medicine for horses, EQUIGARD®, was introduced, and this product and RABON* insecticide, used to control flies in dairy barns, both showed favorable customer acceptance.

Consumer And Specialty Products

Sales of NO-PEST® insecticide strips, Shell Chemical's most familiar product, continued to show impressive increases in 1969. The active ingredient in these strips, which effectively control flying insects indoors, and in pet collars, which rid dogs and cats of fleas, is the same as VAPONA® insecticide. Pet collars also showed good sales gains in 1969.

ALDRITE® insecticide, an aldrin formulation used for termite control scored important sales gains during the year.

Shell Chemical's most widely known consumer product—the NO-PEST® strip—is shown here being packaged at the Trenton Packaging Company, an enterprise initiated by Shell in a low-income area at Trenton, New Jersey.

RESEARCH

Research and development continued to support functional operations in Exploration and Production, M-T-M and Chemical and also served to complement exploration of new investment opportunities. This work is carried out in 10 research laboratories employing some 2,600 people or almost 7 percent of Company personnel.

As in the past, much of the chemical research was aimed at new processes and products. This year, however, the objective of improving the efficiency of our commercial operations received greater than usual emphasis. As a result of this work, for example, it was possible to double the capacity of our Woodbury, New Jersey, polypropylene plant at a relatively small capital cost.

Similarly significant improvements were made in a line of wax polymers for coatings in the packaging field. These coatings have better barrier properties and appearance, and cost less.

Research brought several new developments in aviation, automotive and industrial lubricants. These include aircraft gas turbine lubricants for the more demanding specifications of the engines now coming into use. An even more advanced lubricant is currently under test by qualifying agencies for use in engines of advanced aircraft such as the supersonic transport. Significant advances were made in Shell's line of lubricants for railroad diesel engines, natural gas fueled engines and other heavy duty applications.

Research in oil refining technology led to significant improvements in hydrocracking and hydrogenation and thus to producing economies in design of new plants, to an improved capability for converting heavy raw materials into gasoline and jet fuel, and in general making Shell refineries more independent in selecting crude supplies for producing jet fuel, lubricating oil and asphalt.

A task force in production research developed improved methods for sand control in wells. These are expected to lengthen the service life of well casing and will improve well productivity.

Methods of developing and operating oil fields were improved with the aid of mathematical models constructed to simulate our fields and to help choose in an economical way the most efficient of several alternatives.

Shell and a subsidiary of Shell Petroleum N.V. have continued an arrangement whereby each will perform for and exchange with each other research activities related to petroleum technology, chemicals and other fields.

ENVIRONMENTAL CONSERVATION

Public concern over environmental conservation is greater now than ever before. Since its beginnings more than 50 years ago Shell has adhered to the principle of operating facilities as clean and free of objectionable wastes as technology could make possible. As the problem of environmental conservation has become more critical in recent decades Shell's commitment has grown apace. Using processes and installing special equipment designed to protect air, water and soil and to limit noise and light emanating from Company facilities are considered a normal part of our business. Shell has led the way in many technological advances and has been spending more than $50 million a year on research and on building and operating facilities to protect the environment.

These facilities usually are incorporated into the design of our refineries and chemical plants so that they will prevent pollution before it occurs. Large biotreaters, such as the one pictured above, provide a good example of such control measures. These costly facilities make use of micro-organisms to remove contaminants from effluent water before it is discharged. Three Shell refineries have biotreaters and two more are planned. The Company also operates a biotreater pilot plant to guide our operations and to obtain design data for new treaters.

Illustrating the company's concern with protecting the environment, one of Shell's biotreaters here puts microorganisms to work to remove contaminants before water is discharged from a refinery.

Other examples of environmental control that are in daily use are the centrifugal separators and electrical precipitators that minimize the escape of fine particles of catalyst from refinery catalytic crackers, the treatment of refinery streams to remove sulfur (a field in which Shell is the acknowledged leader) and steam boilers that burn and make profitable use of carbon monoxide from flue gases and eliminate other atmospheric pollutants from our heater stacks.

The Company is equally concerned with the possible polluting effects of the products it manufactures. Research in this field is taking an ever-increasing effort, and Shell cooperates with public advisory bodies as well as conducting its own "in-house" engine emission studies. An example of the latter is the study being conducted at the Wood River refinery laboratory into the relationship between fuel composition and exhaust in the internal combustion engine. The effects of lead, light olefins and heavy aromatics and various compositional blends have most recently been under study in order that our fuels will perform satisfactorily in the new emission-controlled automobiles. At the Emeryville Research Center, smog chamber studies on gasoline components augment our other laboratory and road-test work on this important source of pollutants. Similar studies guide the composition of Shell solvents to minimize the use of smog-forming components.

Recent large scale oil spills have focused public attention on this problem and Shell has mounted an aggressive research program directed at a more scientific understanding of the removal of oil from water under all conditions of wind, wave and current action. Important to this study are current tanks and a 50 by 125 foot pool erected at Shell Pipe Line's research and development laboratory at Houston (illustration on page 13) in which waves can be created to simulate actual conditions in the open sea. Containment and skimming devices are evaluated in these tanks, and the behavior of oil slicks under actual water conditions is studied.

Another oil spill control device, still experimental in nature, has been installed at Shell's terminal at Argo, Illinois, to contain spills, if any occur, in the Chicago Sanitary and Ship Canal. The device involves a curtain of bubbles, formed by forcing air through a perforated pipe on the bottom of the canal, which acts as a barrier to prevent the migration of oil particles.

Shell has designed an instrument that detects very small amounts of oil on water. It serves as a warning to alert operating staff to inadvertent oil spills. Commercial manufacture has been arranged with the Hallikainen Instrument Company, so that the instrument will be available to other firms.

It is important to identify oil found on water in order to locate the source and to put proper control measures into effect. Some 30 Shell crudes and heavy oils are being studied to establish a background from which to identify a given oil and to establish the adequacy of various analytical methods for differentiating between oils from different sources.

Behind these operating practices and current projects lies a philosophy of commitment to environmental conservation. Within the bounds of public amenity, responsible regulation and sound business judgment, Shell believes the problems of environmental control are being and will continue to be solved.

EMPLOYEE RELATIONS

Shell's employees are among its most valuable resources. Their commitment and the utilization of their substantial talents are vital to the Company's growth and prosperity. Commitment and utilization are directly related to the organization climate and structure within which individuals work. Several studies and pilot projects related to these key areas were begun in 1969 and are continuing.

Strong competition for outstanding graduates of the nation's leading universities and colleges was felt by all of the Company's major organizations. Shell's success in hiring high-talent graduates with appropriate backgrounds continued. Recruitment at colleges where minority students predominate was further broadened in 1969 with an encouraging response from both students and faculty.

Emphasis by all segments of the Company was continued in 1969 to provide more and better jobs for minorities, and significant progress was made in increasing the number of minority employees throughout the Company. Cooperation with the National Alliance of Businessmen continued primarily through six major Shell complexes in providing more job opportunities for disadvantaged persons as well as summer work programs for deserving youths.

Shell, along with other companies in the industry, was affected by a nation-wide strike beginning January 4. The strike, called by the Oil, Chemical and Atomic Workers International Union, centered around a dispute over wages and fringe benefits. Struck facilities continued to operate at or near capacity with trained, experienced supervisory and professional staff providing necessary manpower. Houston Refinery and Chemical Plant were the first to reach agreement with employees returning to work on February 11. By February 28, all East-of-the-Rockies disputes had been settled. On March 17, West Coast employees returned to work even though agreements had not been reached at several California locations. Contracts covering major California operations were ratified in July. Present agreements which provided wage adjustments of 6 percent January 1, 1969, and another 4½ percent January 1, 1970, extend through December 31, 1970.

Employee benefits continued as an integral part of the Company's compensation package. An increase on January 1, 1970, in the Company's contribution to the cost of the Hospital Surgical Medical Plan will help alleviate the impact on employees of increasing medical expenses. The Shell Provident Fund continues to attract virtually unanimous participation of eligible employees. Retirements during the year totaled 680 and brought to 13,042 the number who have retired on pension since the Shell Pension Plan began in 1938.

The number of employees at year's end was 38,998.

EXECUTIVE CHANGES

At the end of the year, Mr. R. C. McCurdy resigned as President, Director and member of the Executive Committee of the Company.

Mr. McCurdy began his 36 years of distinguished service as a Roustabout at Ventura, California. He was elected President of Shell Chemical Company in 1953 and of Shell Oil Company in 1965, and had been a Director since 1955. Your Board wishes to express its appreciation for his inspiring leadership as President and Chief Executive Officer and for his valuable and devoted service to the Company.

D. B. Kemball-Cook was elected President and Chief Executive Officer, succeeding Mr. McCurdy. He joined the Company in 1932, working first in a New Hampshire service station and later as a Roustabout and Roughneck on Shell drilling rigs in West Texas and Louisiana. He was elected Executive Vice President and a Director in 1958 and a member of the Executive Committee in 1961. He became Executive Vice President and Chief Operating Officer in April, 1968.

Your Directors record with sorrow the death of G. W. Huldrum, Jr., Vice President Purchasing and General Services. He was succeeded by R. J. Bauer, who was formerly General Manager, Information and Computer Services, and more recently was on special assignment in the Financial Organization..

Other executive changes during 1969 were the following:

P. F. Deisler, Jr., Vice President, Transportation and Supplies, was named Vice President-MTM, a new position, effective January 1, 1970. He was succeeded by S. G. Stiles, formerly General Manager-Supplies.

O. L. Stone, Associate General Counsel, was elected Vice President and General Counsel, succeeding W. F. Kenney, who retired May 1 after a career of 33 years.

In Shell Chemical Company, J. B. Henderson, General Manager, Industrial Chemicals Division, was elected Vice President, succeeding J. W. Hyde, who retired after 31 years of service.

In Shell Development Company, M. N. Papadopoulos, Director Exploratory Science, Exploration and Production Research Center, Houston, was elected Vice President and General Manager, Emeryville Research Center, succeeding S. A. Ballard, who accepted an assignment abroad. J. D. Heldman, Manager Development Petrochemicals Division, Shell Chemical Company, was elected Vice President in charge of the Licensing Division, succeeding A. J. Johnson, who retired after nearly 40 years of service. N. D. Smith, Jr., Vice President, retired after 34 years of service.

STATEMENT OF INCOME AND RETAINED EARNINGS

	YEAR 1969	YEAR 1968
Revenues		
Sales and other operating revenue	$4,229,711,000	$3,972,264,000
Dividends, interest and other income	46,395,000	35,466,000
	4,276,106,000	4,007,730,000
Costs and Expenses		
Purchased oils and chemicals	1,498,845,000	1,337,950,000
Costs and operating expenses	816,447,000	798,208,000
Selling, general and administrative expenses	403,707,000	370,096,000
Income, operating and consumer taxes	879,385,000	837,085,000
Depreciation, depletion, amortization and retirements, including dry holes	351,831,000	317,916,000
Interest on long term debt	34,740,000	34,384,000
	3,984,955,000	3,695,639,000
Net Income 1969—$4.32 and 1968—$4.72 per share based on weighted average shares outstanding of 67,405,391 and 66,051,804 respectively.	291,151,000	312,091,000
Retained Earnings at beginning of year	1,730,447,000	1,569,732,000
	2,021,598,000	1,881,823,000
Cash dividends paid: 1969—$2.40 and 1968—$2.30 per share	161,778,000	151,376,000
Retained Earnings at end of year	$1,859,820,000	$1,730,447,000

The notes on pages 24, 25 and 26 are an integral part of these statements.

Shell Oil Company and Subsidiary Companies

STATEMENT OF FINANCIAL CONDITION

	DECEMBER 31, 1969	DECEMBER 31, 1968
ASSETS		
Current Assets		
Cash	$ 45,446,000	$ 29,022,000
Short term securities	242,965,000	442,516,000
Receivables and prepayments	615,311,000	614,705,000
Owing by affiliated companies	9,800,000	8,180,000
Inventories of oils and chemicals	311,136,000	275,374,000
Materials and supplies	30,431,000	33,382,000
Total Current Assets	1,255,089,000	1,403,179,000
Investments, Long Term Receivables, Etc.	69,135,000	48,985,000
Properties, Plant and Equipment	3,031,998,000	2,777,832,000
	$4,356,222,000	$4,229,996,000
LIABILITIES AND SHAREHOLDERS' INVESTMENT		
Current Liabilities		
Payables, accruals, etc.	$ 520,428,000	$ 556,560,000
Income, operating and consumer taxes	173,314,000	182,877,000
Owing to affiliated companies	25,900,000	15,018,000
Long term debt due within one year	5,000,000	2,589,000
Total Current Liabilities	724,642,000	757,044,000
Long Term Debt	711,508,000	713,241,000
Deferred Credits—Federal Income Taxes	252,502,000	221,766,000
Shareholders' Investment		
Common stock, authorized 80,000,000 shares, $1.00 par value, issued 1969—67,535,293 and 1968—67,479,613 shares at stated value	234,112,000	234,056,000
Amount in excess of common stock stated value	582,464,000	578,926,000
Retained earnings	1,859,820,000	1,730,447,000
	2,676,396,000	2,543,429,000
Less: 1969—150,850 and 1968—93,885 shares held in treasury, at cost	8,826,000	5,484,000
Total Shareholders' Investment	2,667,570,000	2,537,945,000
	$4,356,222,000	$4,229,996,000

The notes on pages 24, 25 and 26 are an integral part of these statements.

NOTES TO FINANCIAL STATEMENTS

1. Accounting Policies

The financial statements include the accounts of Shell Oil Company and all its wholly owned subsidiary companies. The investment in Butte Pipe Line Company, a 51% owned subsidiary, is carried at equity in the underlying net assets. Investments in less than majority owned companies are carried at cost with dividends recorded in income as received; the excess of underlying equity in such companies over investment cost at December 31, 1969 was not material.

Short term securities are carried at cost which approximates market. Inventories of oils and chemicals are carried at the lower of market or of the average cost resulting from charging to costs the highest of inventory carrying value, current cost of production, or purchases. Materials and supplies inventories are carried at average cost or less.

Depreciation, depletion and amortization of the capital cost of producing properties, both intangible and tangible, are provided for on a unit of production basis over the estimated recoverable oil and gas reserves. Intangible expenditures applicable to dry holes are charged to income currently. Other plant and equipment are depreciated on a straight line basis over their estimated useful lives. Based upon experience of the Company, nonproducing leasehold costs are amortized from the date of acquisition to provide for future surrenders.

Major renewals and betterments are charged to the property accounts, while minor replacements, as well as maintenance and repairs, are charged to costs or expenses, as incurred. At the time properties are retired or otherwise disposed of, the cost thereof normally is charged against the accumulated provision; however, on abnormal retirements the asset cost together with related accumulated provisions are cleared from the appropriate accounts, and any profit or loss is credited or charged to income.

Proceeds from sales of future oil and gas production (carved-out production payments) are deferred and taken into income as production occurs. Geological and geophysical expenses and delay rentals paid to retain mineral rights are charged against income as incurred.

The income tax effect of timing differences between financial and taxable income, including that due to the income tax deduction of intangible development expenditures as incurred, is included as deferred federal income taxes in the provision against income. Investment tax credits currently realized are applied to reduce the current provision for federal income taxes.

2. General

The Company and its subsidiaries continued in 1969 to have transactions, including the purchase, sale, and transportation of crude oil, petroleum and chemical products in the ordinary course of business, with subsidiaries of Royal Dutch Petroleum Company and The "Shell" Transport and Trading Company, Limited, parent companies of Shell Oil Company.

3. Income, Operating and Consumer Taxes

	1969	1968
Consumer Taxes		
Excise and sales taxes on products sold	$692,609,000	$655,190,000
Operating Taxes		
Real and personal property	51,083,000	47,290,000
Oil and gas production	31,421,000	30,601,000
Social security	16,114,000	14,345,000
Other	19,210,000	15,155,000
	117,828,000	107,391,000
Income Taxes		
Federal and other		
Current	17,300,000	75,676,000
Deferred	51,648,000	(1,172,000)
	68,948,000	74,504,000
	$879,385,000	$837,085,000

4. Shell Pension Plan and Shell Provident Fund

The Shell Pension Plan covers the regular full-time employees of the Company and its principal subsidiary, Shell Pipe Line Corporation. The 1969 pension expense under this plan was $23,578,000 which includes provision to fully amortize prior service cost of $62,405,000 by the end of 1997. The Company's policy is to fund pension cost charged against income.

The Shell Provident Fund is a plan whereby every regular employee of the Company and its principal subsidiary may systematically save a permissible percentage of his salary or wages with a like contribution by the employing company for investment by the Fund. Eligible participants can direct that all or part of their employing company's current contributions be invested in the common stock of Shell Oil Company (the Shell Stock Fund). During 1969, such common stock investments, amounting to $22,000,000, represented 374,545 shares of which 329,500 shares were purchased on the New York Stock Exchange, 39,600 were authorized but unissued shares acquired up to April 30, 1969 from the Company, and 5,445 were shares transferred among individual accounts within the Shell Stock Fund. At the end of 1969, the Shell Stock Fund held 2,013,925 shares of Shell Oil

Company's common stock. In 1969, company contributions to the Shell Provident Fund totaled $27,263,000 which was charged against income.

5. Receivables and Prepayments

The receivables amounted to $546,624,000 at December 31, 1969 and $539,950,000 at December 31, 1968, after deducting allowance for doubtful accounts of $11,887,000 and $10,228,000 respectively.

Prepayments included $18,600,000 at December 31, 1969 and $39,512,000 at December 31, 1968 for deferred federal income taxes.

6. Properties, Plant and Equipment

	Cost	Accumulated Depreciation Etc.	Net
	(Thousands of Dollars)		
Production properties	$2,789,607	$1,394,734	$1,394,873
Oil refineries	1,079,404	522,683	556,721
Chemical plants	668,313	298,103	370,210
Marketing facilities ..	692,994	215,849	477,145
Pipelines and other transportation facilities	349,527	171,134	178,393
Miscellaneous facilities	96,040	41,384	54,656
Total Dec. 31, 1969 ..	$5,675,885	$2,643,887	$3,031,998
Total Dec. 31, 1968 ..	$5,272,171	$2,494,339	$2,777,832

7. Long Term Debt

	Dec. 31, 1969
Shell Oil Company	
Twenty-five Year 2½% Debentures, due 1971, after deducting $5,486,000 of debentures held in treasury	$ 31,504,000
4⅝% Sinking Fund Debentures Due 1986, after deducting $9,996,000 of debentures held in treasury	175,004,000
4½% Notes due 1990.................	150,000,000
5% Debentures Due 1991..............	150,000,000
5.30% Debentures Due 1992	150,000,000
Shell Pipe Line Corporation	
7½% Guaranteed Sinking Fund Debentures Due 1999	60,000,000
	716,508,000
Less amounts included in Current Liabilities as due within one year	5,000,000
	$711,508,000

Of the foregoing long term debt due after one year, $41,508,000 will be due in 1971 and $25,000,000 in each of the years 1972 through 1974, inclusive.

8. Incentive Stock Option Plans

At December 31, 1969, 295,800 shares of the Company's authorized but unissued common stock were reserved under the Plans, adopted in 1956 and in 1965, for sale to key employees, including executives. Prior to August 22, 1963, options were granted for terms not exceeding ten years at not less than 95% of the fair market value at the date of grant. Commencing August 22, 1963, options have been granted for terms not exceeding five years at not less than 100% of the fair market value at the date of grant. Generally, such options may not be exercised within eighteen months of the date of grant. Options granted after August 21, 1963, are by their terms not exercisable until after certain earlier options have been exercised or the time for their exercise has expired, as provided in the Internal Revenue Code of 1954, as amended, with respect to qualified stock options.

Changes during 1969 in options outstanding were as follows:

	Shares Under Option	
	1956 Plan	1965 Plan
Outstanding January 1, 1969 (of which 154,400 were exercisable)	31,000	169,400
Granted at average price of $55.29 per share	—	34,000
Expired	(11,000)	(7,000)
Exercised at average price of $53.06 per share	(7,000)	(5,200)
Outstanding December 31, 1969 (of which 152,200 were exercisable)	13,000	191,200

The 1956 Plan was terminated in 1965 without affecting outstanding options. Under the 1965 Plan the number of shares available for future options amounted to 118,600 at January 1 and 91,600 at December 31, 1969.

9. Shareholders' Investment

The amount in excess of common stock stated value was increased as follows during 1969:

Sale of 39,600 shares of common stock to Shell Provident Fund	$2,613,000
Sale of 12,200 shares of common stock to option holders upon exercise of options under the incentive stock option plans...	635,000
Issuance to key employees of 3,880 shares of common stock as part of the incentive compensation award payment for the year 1968	247,000
Transfer of shares of treasury stock for acquisitions	43,000
	$3,538,000

10. Commitments and Contingent Liabilities

At December 31, 1969, Shell Oil Company and subsidiary companies had noncancellable leases and other contractual commitments with an average unexpired life of approximately 6 years covering service stations, office space, tankers and other facilities. For the year 1970, the minimum amounts payable (without reduction for related rental income) under such commitments having a remaining life of over one year are estimated at $68,000,000.

Shell Oil Company might be required under certain conditions to make payments under guaranty and other contractual arrangements entered into in connection with pipelines and other facilities used for handling the Company's products. At December 31, 1969, the contingent liability under such arrangements did not exceed $1,600,000 applicable to 1970 and a total of $50,500,000 for years subsequent thereto.

None of the companies had any commitments or contingent liabilities which, in the judgment of the Management, would result in losses which would materially affect their financial positions.

SOURCE AND DISPOSITION OF FUNDS

	1969	1968
Source of Funds	(MILLIONS)	
Net income	$291.2	$312.1
Depreciation, depletion, amortization and retirements	288.7	273.1
Dry hole costs (included in capital expenditures)	63.1	44.8
Deferred credits—federal income taxes (related to write-offs)	30.7	9.3
TOTAL FUNDS PROVIDED FROM OPERATIONS	673.7	639.3
Company shares sold less shares acquired	.3	309.9
Property sales, salvage, etc. (net)	22.8	15.0
TOTAL	$696.8	$964.2
Disposition of Funds		
Capital expenditures including dry hole costs	$628.8	$554.1
Dividends paid	161.8	151.4
Net decrease in long term debt	1.7	5.5
Other items (net)	20.2	7.3
Working capital increase (decrease)	(115.7)	245.9
TOTAL	$696.8	$964.2

OPINION OF INDEPENDENT ACCOUNTANTS

TO THE SHAREHOLDERS OF SHELL OIL COMPANY:

In our opinion, the accompanying statement of financial condition, the related statement of income and retained earnings, and the statement of source and disposition of funds shown on page 26, present fairly the financial position of Shell Oil Company and consolidated subsidiary companies at December 31, 1969, the results of their operations and the supplementary information on funds for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of these statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

PRICE WATERHOUSE & CO.

60 Broad Street, New York, N.Y. 10004
February 13, 1970

Transfer Agents
Irving Trust Company, 1 Wall Street, New York, N. Y. 10015
The Bank of California National Association, 400 California Street, San Francisco, Calif. 94120
Continental Illinois National Bank and Trust Company of Chicago, 231 South LaSalle Street, Chicago, Ill. 60690
Notice of change of shareholder's address should be sent to one of the above transfer agents.

Registrars
Morgan Guaranty Trust Company of New York, 30 West Broadway, New York, N. Y. 10015
Crocker-Citizens National Bank, 79 New Montgomery Street, San Francisco, Calif. 94105
Harris Trust and Savings Bank, 111 West Monroe Street, Chicago, Ill. 60690

TEN YEAR REVIEW OF FINANCIAL DATA
(dollars in thousands except per share amounts)

		1969
Income and Dividends	Net income	$ 291,151
	Net income per share*	$ 4.32
	Cash dividends	$ 161,778
	Cash dividends per share	$ 2.40
	Funds provided from operations	$ 673,718
Revenues	Oil and gas	
	Refined products	$2,066,973
	Natural gas	$ 163,141
	Crude oil	$ 664,431
	Other operating revenue	$ 98,800
	Dividends, interest and other income	$ 38,514
	TOTAL	$3,031,859
	Chemical	
	Operating revenue	$ 543,757
	Dividends, interest and other income	$ 7,881
	TOTAL	$ 551,638
	Consumer excise and sales taxes	$ 692,609
	TOTAL REVENUES	$4,276,106
Costs and Expenses	Income and operating taxes	$ 186,776
	Depreciation, depletion, amortization and retirements, including dry holes	$ 351,831
	Salaries, wages and employee benefits	
	Salaries and wages	$ 376,260
	Employee benefits (including vacation, holiday and sick pay)	$ 121,963
	TOTAL	$ 498,223
	Number of employees at year end	38,998
Financial Condition at Year End	Current assets	$1,255,089
	Current liabilities	$ 724,642
	WORKING CAPITAL	$ 530,447
	Properties, plant and equipment	$5,675,885
	Accumulated depreciation, depletion and amortization	$2,643,887
	NET PROPERTIES, PLANT AND EQUIPMENT	$3,031,998
	Total assets	$4,356,222
	Long term debt	$ 711,508
	Shareholders' investment	$2,667,570
	Shareholders' investment per share	$ 39.59
	Shares outstanding (thousands)	67,384
	Number of shareholders	29,070
Capital Expenditures	Drilling and production (including dry holes)	$ 307,581
	Oil refineries	$ 123,315
	Chemical plants	$ 63,057
	Marketing facilities	$ 93,310
	Pipelines and other transportation facilities	$ 28,202
	Miscellaneous facilities	$ 13,288
	TOTAL	$ 628,753
Exploration and Production Expenditures	Oil and gas leases	$ 42,673
	Producing wells and equipment	$ 181,605
	Natural gas processing plants	$ 20,172
	Dry holes	$ 63,131
	Geological, geophysical and land expenses	$ 81,082
	Lease rentals	$ 9,794
	TOTAL	$ 398,457

**Per weighted average share outstanding each year.*

***In addition, one Class "A" Common Share of Shell Canada Limited was distributed for each five shares of Common Stock of the Company.*

Shell Oil Company and Subsidiary Companies

1968	1967	1966	1965	1964	1963	1962	1961	1960
312,091	284,849	255,200	234,031	198,190	179,852	157,675	140,358	144,588
4.72	4.66	4.19	3.85	3.27	2.97	2.60	2.32	2.39
151,376	128,280	115,731	103,194	90,798	78,658	66,636	66,636	66,631
2.30	2.10	1.90	1.70	1.50	1.30	1.10**	1.10	1.10
639,346	569,835	521,704	487,446	437,508	401,523	359,058	334,212	345,608
1,968,520	1,848,429	1,732,104	1,578,006	1,422,978	1,320,023	1,231,890	1,155,947	1,125,819
128,130	135,906	121,250	104,476	95,653	86,392	74,643	75,378	70,245
617,783	588,393	513,718	497,323	469,468	414,131	367,260	368,066	345,202
80,447	55,524	41,801	21,490	19,635	12,696	20,714	9,637	15,372
33,235	14,764	15,805	12,639	10,786	11,621	8,693	8,738	9,778
2,828,115	2,643,016	2,424,678	2,213,934	2,018,520	1,844,863	1,703,200	1,617,766	1,566,416
522,194	443,543	405,766	358,745	320,918	296,824	272,151	262,521	271,560
2,231	1,671	543	402	383	322	266	240	872
524,425	445,214	406,309	359,147	321,301	297,146	272,417	262,761	272,432
655,190	584,580	559,888	529,668	491,464	434,043	390,438	357,351	340,000
4,007,730	3,672,810	3,390,875	3,102,749	2,831,285	2,576,052	2,366,055	2,237,878	2,178,848
181,895	160,935	156,054	143,180	109,859	119,019	101,922	87,095	93,646
317,916	277,310	251,011	229,216	219,013	209,356	191,428	183,162	201,141
348,749	326,819	296,987	270,659	259,696	245,738	244,200	266,053	258,774
112,510	105,643	97,607	89,734	82,834	81,645	80,767	86,099	87,488
461,259	432,462	394,594	360,393	342,530	327,383	324,967	352,152	346,262
39,080	38,330	37,058	34,548	33,578	32,191	33,908	35,586	38,290
1,403,179	1,061,733	984,364	891,608	785,589	806,371	678,932	697,969	604,557
757,044	661,533	609,252	521,146	432,643	370,648	310,852	319,075	287,664
646,135	400,200	375,112	370,462	352,946	435,723	368,080	378,894	316,893
5,272,171	4,880,908	4,485,981	4,092,720	3,704,588	3,403,284	3,261,080	3,092,547	2,912,786
2,494,339	2,324,298	2,237,048	2,136,993	2,044,043	1,948,392	1,838,859	1,754,635	1,655,696
2,777,832	2,556,610	2,248,933	1,955,727	1,660,545	1,454,892	1,422,221	1,337,912	1,257,090
4,229,996	3,660,021	3,273,449	2,885,137	2,486,169	2,300,196	2,139,146	2,222,251	2,010,929
713,241	718,721	553,107	415,535	267,424	273,219	283,123	295,239	200,002
2,537,945	2,067,340	1,897,934	1,750,793	1,612,638	1,503,179	1,404,327	1,477,048	1,403,066
37.66	33.80	31.14	28.82	26.63	24.85	23.19	24.38	23.16
67,386	61,169	60,958	60,753	60,561	60,496	60,548	60,580	60,573
28,591	25,963	24,566	23,917	23,669	23,070	22,183	20,403	20,018
281,442	343,637	252,740	253,812	253,401	180,058	214,281	179,685	199,979
41,519	61,612	113,551	122,165	78,296	25,596	11,787	17,312	26,800
107,338	59,144	75,592	43,518	25,903	8,221	20,671	39,795	18,014
76,529	111,315	96,623	81,248	43,605	28,108	27,105	24,777	29,726
34,354	35,202	14,824	22,854	21,492	4,680	4,076	5,617	6,589
12,890	7,977	10,645	7,064	9,254	5,407	4,834	2,728	2,933
554,072	618,887	563,975	530,661	431,951	252,070	282,754	269,914	284,041
51,834	117,139	15,418	41,609	41,933	40,970	85,250	34,352	66,065
176,358	174,883	172,871	152,262	151,853	96,415	91,492	112,158	102,601
8,397	7,379	11,657	11,273	9,093	3,951	3,874	9,380	2,340
44,853	44,236	52,794	48,668	50,522	38,722	33,665	23,795	28,973
78,419	74,665	65,603	63,856	61,381	59,573	56,201	62,831	60,345
9,892	10,022	11,390	10,452	14,385	13,012	12,061	10,454	9,488
369,753	428,324	329,733	328,120	329,167	252,643	282,543	252,970	269,812

TEN YEAR REVIEW OF OPERATING DATA

(barrels daily in thousands)

		1969
Exploration and Drilling	Net acreage (in thousands)	
	Producing	862
	Non-producing	14,153
	TOTAL	15,015
	Net wells drilled	
	Exploratory—oil and gas	15
	dry holes	226
	Development—oil and gas	353
	dry holes	104
	TOTAL	698
	Net oil and gas wells producing or capable of producing	14,455
Production	Crude oil and natural gas liquids produced (barrels daily)	
	Gross	626
	Net	
	California	82
	Louisiana	261
	Montana	18
	New Mexico	14
	Oklahoma	12
	Texas	129
	Other	32
	TOTAL	548
	Natural gas liquids produced (incl. in above) (barrels daily)	63
	Gross natural gas produced (million cubic feet daily)	2,975
	Net natural gas produced (million cubic feet daily)	2,490
	Crude oil purchased (barrels daily)	952
	Crude oil sold (barrels daily)	599
Manufacturing	Refinery crude intakes (barrels daily)	
	Anacortes	87
	Houston	158
	Martinez	83
	Norco	197
	Odessa/Ciniza	45
	Wilmington	87
	Wood River	213
	TOTAL	870
	Refined products manufactured (barrels daily)	
	Gasolines	466
	Distillates	243
	Residuals	90
	All other products	112
	TOTAL	911
Transportation	Trunk pipeline mileage—crude oil (incl. partially-owned)	7,130
	Trunk pipeline mileage—products (incl. partially-owned)	8,514
	Crude oil transported by pipelines (million barrel miles)	111,909
	Products transported by pipelines (million barrel miles)	44,465
Marketing	Refined products sold (barrels daily)	
	Gasolines	51
	Distillates	30
	Residuals	9
	All other products	9
	TOTAL	1,00
	Natural gas sold (million cubic feet daily)	2,65
	Bulk distributing plants (leased and owned)	51
	Retail outlets (leased and owned)	10,90
	Retail outlets (other)	11,10

Shell Oil Company and Subsidiary Companies

1968	1967	1966	1965	1964	1963	1962	1961	1960
854	855	897	860	844	723	695	656	599
14,182	10,918	9,983	11,405	14,702	15,066	14,619	14,164	13,395
15,036	11,773	10,880	12,265	15,546	15,789	15,314	14,820	13,994
17	27	39	35	52	32	16	27	36
122	109	122	104	142	108	85	72	101
569	541	534	413	732	479	505	607	589
80	54	77	126	83	88	102	75	80
788	731	772	678	1,009	707	708	781	806
14,421	14,467	14,594	14,670	14,699	14,152	13,549	13,077	12,096
607	589	543	493	466	452	430	415	404
80	72	69	65	64	63	65	72	77
250	240	208	187	170	156	141	122	113
20	22	22	21	23	23	21	21	20
14	14	16	15	13	13	13	14	16
13	14	15	15	15	15	15	14	15
123	121	113	101	95	93	88	84	80
32	31	31	27	27	31	32	36	33
532	514	474	431	407	394	375	363	354
58	54	52	47	42	42	38	35	34
2,636	2,453	2,180	1,926	1,821	1,656	1,516	1,310	1,231
2,201	2,046	1,834	1,626	1,559	1,413	1,299	1,129	1,064
910	875	797	789	753	677	608	599	543
577	561	505	493	459	408	363	369	347
88	81	76	71	69	54	55	46	44
155	150	144	142	138	143	119	114	107
70	64	36	36	40	42	42	35	39
189	174	152	137	120	115	115	108	103
41	38	38	35	25				
91	87	87	88	87	84	77	71	70
198	201	200	191	191	193	161	181	172
832	795	733	700	670	631	569	555	535
439	409	365	350	333	308	281	283	276
240	229	222	213	196	193	174	160	140
87	74	64	70	71	69	61	58	58
108	112	107	101	97	84	71	78	80
874	824	758	734	697	654	587	579	554
6,938	6,457	6,432	6,460	6,421	6,128	6,054	5,984	5,988
8,453	7,781	7,821	7,361	7,040	6,302	6,145	4,998	4,725
08,382	109,951	104,715	100,770	98,837	96,836	83,962	94,213	90,632
39,718	39,086	35,239	31,434	26,943	26,033	23,851	21,730	21,215
491	454	424	394	370	335	314	293	279
289	285	267	254	227	212	199	171	150
91	89	83	89	83	80	68	66	68
95	93	98	93	84	78	70	67	67
966	921	872	830	764	705	651	597	564
2,315	2,122	1,897	1,661	1,565	1,429	1,335	1,184	1,109
591	624	707	703	701	699	737	744	771
11,400	11,600	11,700	11,500	11,300	10,700	10,300	9,900	9,500
11,700	12,100	12,300	13,100	13,000	12,800	12,900	13,300	13,400

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a Division of Shell Oil Company

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a Division of Shell Oil Company

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The original paintings for this report are by John Moodie. He has executed commissions for a number of major industrial corporations and has documented U.S. Air Force activities in paintings done in South America, Europe and the Middle East. These works are currently hanging in the Pentagon and the Air Force Traveling Art Shows. The National Parks Service has five of his paintings hanging in its Washington, D.C. gallery. He is a former President of the Society of Illustrators.

OFFICE OR PLANT	LOCATION	FUNCTION OR MAIN PRODUCTS
Industrial Chemicals Division	Houston, Texas	Administration and marketing
Houston Plant	Deer Park, Texas	Glycerine, Methyl Ethyl Ketone, Acetone, Ethyl Alcohol
Norco Plant	Norco, Louisiana	Glycerine, Hydrogen Peroxide, Methyl Ethyl Ketone, Sulfolane
Martinez Plant	Martinez, California	IONOL® Antioxident, Ethyl Amyl Ketone, Tertiary Butyl Alcohol
Dominguez Plant	Wilmington, California	Isopropyl Alcohol, Acetone, Methyl Isobutyl Ketone
Geismar Plant	Geismar, Louisiana	Detergent Alcohols and Derivatives, Ethylene Oxide and Derivatives
Shell Point Plant	Pittsburg, California	Catalysts
Petrochemicals Division	Houston, Texas	Administration and marketing of aromatics, olefins, solvents and naphthas, waxes and process oils manufactured at refineries
Houston Plant	Deer Park, Texas	Ethylene, Propylene
Polymers Division	Houston, Texas	Administration and marketing
Houston Plant	Deer Park, Texas	Phenol, Bisphenol-A, EPON® Resin and Related Products
Marietta Plant	Belpre, Ohio	Polystyrene, Polyisoprene in solid and latex form
Woodbury Plant	Woodbury, New Jersey	Polypropylene
Torrance Plant	Torrance, California	SBR in solid and latex form, KRATON* Thermoplastic Elastomers and Monomers-Styrene, Butadiene and Intermediates
Industrial Chemicals Technical Center	Deer Park, Texas	Manufacturing support and process improvement in industrial chemicals
Plastics and Resins Technical Center	Woodbury, New Jersey	Research and development in plastics and resins, marketing and manufacturing support, plastics and resins technical service
Elastomers Technical Center	Torrance, California	Elastomers research and technical support

SHELL DEVELOPMENT COMPANY HEAD OFFICE, New York, N.Y.

Emeryville Research Center	Emeryville, California	Research on new chemical and oil products and processes; research in general science and engineering
Exploration and Production Research Center	Houston, Texas	Research on petroleum exploration and production
Biological Sciences Research Center	Modesto, California	Research on new chemicals for agriculture, health and nutrition

SHELL PIPE LINE CORPORATION CORPORATE HEADQUARTERS, Houston, Texas

Four Corners Division	Compton, California	Administration and operation of crude oil pipelines
Northern Division	Centralia, Illinois	
Oklahoma Division	Cushing, Oklahoma	
Rocky Mountain Division	Denver, Colorado	
Southern Division	New Orleans, Louisiana	
Texas Gulf Division	Houston, Texas	
West Texas Division	Midland, Texas	
Research and Development Laboratory	Houston, Texas	Pipeline Research

OFFICE AND PLANT DIRECTORY

SHELL OIL COMPANY CORPORATE HEADQUARTERS, New York, N.Y.

General Offices, Houston, Tex.

OFFICE OR PLANT	LOCATION	FUNCTION OR MAIN PRODUCTS
EXPLORATION AND PRODUCTION ORGANIZATION		
Denver Area	Denver, Colorado	Oil and Gas Exploration and Production
Pacific Coast Area	Los Angeles, California	
Southeastern Region	New Orleans, Louisiana	
Southwestern Region	Houston, Texas	
M-T-M ORGANIZATION		
Marketing		
Central Marketing Region	Chicago, Illinois	Refined Products Sales and Service
Eastern Marketing Region	Scarsdale, New York	
Southern Marketing Region	Atlanta, Georgia	
Western Marketing Region	San Francisco, California	
Manufacturing		
Anacortes Refinery	Anacortes, Washington	Refining crude oil for the manufacture of gasoline, jet fuel, home heating oil, lubricating oils and greases, asphalts, petrochemical feedstocks and finished petrochemicals
Ciniza Refinery	Gallup, New Mexico	
Houston Refinery	Deer Park, Texas	
Martinez Refinery	Martinez, California	
Norco Refinery	Norco, Louisiana	
Odessa Refinery	Odessa, Texas	
Wilmington Refinery	Wilmington, California	
Wood River Refinery	Wood River, Illinois	
Research and Development		
Houston Research Laboratory	Deer Park, Texas	Product and process research and development
Wood River Research Laboratory	Wood River, Illinois	
Transportation and Supplies		
Houston Office	Houston, Texas	Transportation and Supplies Operations
Los Angeles Office	Los Angeles, California	
Products Pipelines General Field Office	Indianapolis, Indiana	Administration and operation of products pipelines
FINANCIAL ORGANIZATION		
Chicago Data Service Center	Chicago, Illinois	Data processing and accounting
Houston Data Service Center	Houston, Texas	
Los Angeles Data Service Center	Los Angeles, California	
Menlo Park Data Service Center	Menlo Park, California	
New Orleans Data Service Center	New Orleans, Louisiana	
New York Data Service Center	New York, New York	
Tulsa Data Service Center	Tulsa, Oklahoma	Retail credit card processing
SHELL CHEMICAL COMPANY HEAD OFFICE, New York, N.Y.		
Agricultural Division	Walnut Creek, California San Francisco, California	Administration and marketing
Denver Plant	Denver, Colorado	Aldrin, VAPONA® and AZODRIN® Insecticides, PLANAVIN® Herbicide
Mobile Plant	Axis, Alabama	GARDONA® Insecticide
Princeton Plant	Princeton, New Jersey	NO-PEST® Insecticide Strips, Pet Collars
Shell Point Plant	Pittsburg, California	Ammonium Sulphate, Aqua Ammonia, N-SOL-32® Fertilizer, Carbon Products
St. Helens Plant	St. Helens, Oregon	Ammonia, Urea, N-SOL-32® Fertilizer
Ventura Plant	Ventura, California	Ammonia, Urea, N-SOL-32® Fertilizer